



21 March 1966

Mr. Harry C. McPherson, Jr.
Special Counsel to the President
The White House

Dear Mr. McPherson:

Per your request we have revised the memorandum prepared on 19 February for Senator Muskie and brought the pertinent statistics up to date. Three copies of the revised text are attached herewith.

Though we are delighted to render any assistance we can in such ventures, we would appreciate having this document considered and used only as a background briefing memorandum. We would much prefer not to have it positively described as a "CIA report".

Sincerely,

15/ GAC for
Richard Helms

Attachment

O/DCI;SAVA/VAS: Jr:mee

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21 March 1966

MEMORANDUM

**SUBJECT: The Return on Our Investment: Demonstrable
 Improvements in the Situation in Vietnam since
 the Spring of 1965**

EFFECTS IN THE SOUTH

The US investment in Vietnam, particularly the sharp increase in the US air and ground force commitment which began to reach Vietnam in the late Spring of 1965, has produced a number of demonstrable returns. The most significant return, however, is the marked difference between the situation, atmosphere, and trends evident prior to the massive US input (i. e., late last Spring) and the situation, atmosphere and trends which are evident today. Last year, defeat was staring the GVN in the face; this year the military situation has been stabilized, confidence has been regained, the GVN has markedly improved its military and political performance, the attitudes of the South Vietnamese people have begun to shift, and it is our adversaries who are beginning to have serious doubts about the wisdom or probable success of their present courses of action.

The Viet Cong insurgency is designed to create a politico-military climate which will permit the establishment of a Communist government in South Vietnam under North Vietnamese Communist control leading to political control over the whole country by the North Vietnamese Communist Party. Though portrayed publicly as an internal revolution, this insurgency is directed and supported by North Vietnam. As early as the end of 1963, the Viet Cong were optimistic about their chances of succeeding and had every reason to be so.

From the Ap Bac battle in January 1963, where the Viet Cong fought for several days, to the widespread surge of terrorism following Diem's downfall, the Viet Cong constantly improved their military and political situation throughout the countryside. Viet Cong forces, bolstered

by infiltrated troops, continued to expand and improve their capabilities for larger scale military operations. Their military successes during 1964 included gains in territory and population control in the coastal regions of 1st and 2nd Corps (i. e., the northern half of South Vietnam) as well as the virtual isolation of government forces in many provincial and district capitals. Similar but not quite so successful efforts were made in the 3d and 4th Corps areas (the southern portion of the country including the Mekong Delta). Fairly large scale operations involving one or more battalions were carried out by the Viet Cong with relative impunity. By the end of 1964, VC military gains coupled with their terrorism and propaganda efforts, particularly among the rural population, had given them an aura of invincibility and convinced many Vietnamese, particularly in rural areas, that a Communist victory was inevitable.

The Viet Cong maintained their initiative and momentum during the first half of 1965. They made great strides in force development by infiltrating at least 5,700 troops, including major elements of the North Vietnamese 325th division, during this period. Local recruiting within South Vietnam was stepped up, and newer and heavier weapons were delivered in increasing quantities. They had repeated successes on the battlefield which improved their image and damaged the morale of the GVN and its supporters.

In a December 1964 battle with three Viet Cong regiments at Binh Gia hamlet, southeast of Saigon, at least two GVN battalions--including a general reserve unit--were put out of action. In large scale attacks in February 1965, heavy losses were inflicted on government forces in Binh Dinh Province. Similar Viet Cong victories occurred in the Ba Gia battle in May and in the overrunning of Tou Morong and Dak Sut district towns in June and August. Serious disruptions of lines of communication occurred--the central highlands were completely isolated for extended periods--and the Viet Cong made appreciable territorial gains. VC morale was high, the rural population was intimidated and the VC found it easy to gain new recruits.

By mid-year, government forces were finding it difficult to stem the Viet Cong tide. The ARVN (South Vietnamese Army) was being whippawed and its reserves were stretched to the breaking point. The Viet Cong had the capability of conducting multi-regimental size operations in three widely separated areas of South Vietnam while the ARVN could react with sufficient force to cope with only one such threat at a time. In the Spring of 1965,

the Viet Cong had a major campaign prepared designed to control major areas of the highlands, to cut up South Vietnam, and separate the Binh Dinh-Quang Ngai area from the western Pleiku area.

These plans, however, were foiled and this Viet Cong drive was blunted. Viet Cong gains were halted by the massive use of air power, of a type made possible by the introduction of faster-reacting US jet aircraft, and aggressive friendly ground actions, made possible by the massive mid-year introduction of US combat troops.

By the late Summer of 1965, the initiative had begun to shift to the US-supported GVN. Slowly but surely the GVN began to gain a momentum of its own--the number of Communist successes declined and there were some important government victories. Severe Viet Cong losses accrued at Dong Xoai in June and at Bu Dop in July, and the siege of Duc Co was broken in August. Major US contributions were the victory south of Chu Lai in August, the opening of Route 19 from Qui Nhon to An Khe, the successful resupply of Pleiku, and the destruction and harassment inflicted by increased air strikes. These successes, followed by a decline in the tempo of Viet Cong activity, allowed the government to gain a semblance of political and military equilibrium by early Fall.

Since the Fall of 1965, US forces have increasingly moved out of their base perimeter areas to conduct search-and-destroy operations against Viet Cong main force units in their previously sacrosanct base areas. In November, for example, US 1st Cavalry Division (Airmobile) troops inflicted over 1,200 casualties on three North Vietnamese regiments in the Ia Drang Valley area of western Pleiku province in the Central Highlands. Prisoners captured from these units in the same area during an operation in January 1966 claimed that their units had not yet received replacements for their losses (in either men or materiel) and were not yet ready to resume large scale operations.

Since the end of 1965, the rate of large scale Viet Cong attacks has been declining, even though there has been some increase in the total number of armed attacks. Large scale attacks--regimental level--declined from four in November to one in December and none in January. Battalion strength attacks declined from 8 in November to 7 in December and sharply dropped in January to 3. Since the Ia Drang battle in November, there has been a frequent tendency for Communist units to avoid large-scale engagements with US and South Vietnamese forces. However, they have by no means abandoned large-scale combat, as demonstrated by at least three enemy regimental attacks in the past two months.

A much higher rate of harassment against Communist forces is now possible and is now being sustained, both in the form of B-52 Stratofortress air strikes on previously inviolate Communist base areas and in the form of operations on the ground. Recent GVN and allied actions have taken the initiative and put the Communists on the defensive, forcing them to abandon their own plans for attacking at times and places of their choosing. Operation HARVEST MOON, 8-19 December, in the Quang Nam/Quang Tin border area, forced two Communist regiments (one identified as North Vietnamese) to defend themselves. Operations JEFFERSON, VAN BUREN and HARRISON which began 31 December in Phu Yen Province, have maintained continuing pressure on the 3d Viet Cong and 95th North Vietnamese Regiments, and have killed hundreds of Communist troops. Operation MASHER-WHITE WING, begun 24 January, upset the plans of the North Vietnamese 18th and Quyét Tam Regiments, and the Viet Cong 2d Regiment in northern Binh Dinh Province. These operations inflicted more than 1,800 casualties (KIA) on the Communist forces. Reacting rapidly to accurate intelligence, allied troops in Operation UTAH surrounded a substantial portion of another North Vietnamese Regiment in Quang Ngai Province in early March and killed more than 600 Communists. U.S. forces north of Saigon, now in their third week of Operation SILVER CITY, are targeted against two Viet Cong regiments recently reported in the area and have killed about 350 V.C. thus far. This type of pressure will increase as the built-up allied forces consolidate themselves and as experience is gained.

These harassing and spoiling operations which the U.S. troop commitment now permits the allied side to mount have unquestionably disrupted Communist planning and thrown Communist forces off balance. (Captured documents, for example, indicated that the Communists planned to end the recent Tet truce with a burst of activity, but their plans were foiled by the offensive operations the GVN and its allies were able to mount.) Such ground operations, combined with the B-52 strikes and tactical air strikes against Viet Cong base areas, will make it increasingly difficult for the Viet Cong and North Vietnamese units to mass and retain the elements of surprise. There is, of course, no room for excessive optimism. The Viet Cong are not abandoning their previous strategy of progressing toward a more conventional military force structure and, where favorable opportunities present themselves, they will continue to attempt large scale attacks, some of which will probably be successful. The increased U.S. presence, however, is making such attacks increasingly costly and drastically reducing their chances of success.

The over-all improvement in South Vietnam's military posture during the past year is reflected in a host of statistics. In 1965, the Viet Cong lost about 35,400 men, almost double their fatalities in any previous year. Almost 24,000 were killed in the last six months of 1965 alone. The South Vietnamese lost 11,250 killed last year, about 4,000 more than in 1964. During the first two months this year, the GVN has lost about the same number killed as during the corresponding period last year. Viet Cong losses, however, are about double the amount last year. (US combat fatalities in 1965 amounted to 1,365.)

In 1965, Vietnamese government forces captured almost twice as many Communist weapons as in 1964. Toward the end of last year, the ratio of weapons lost as between friend and foe favored the government forces for the first time since mid-1963, a trend which has continued during the first two months of this year.

Communist prisoners, defectors and captured documents all indicate that the events of the past year have had a demonstrably adverse effect on Viet Cong morale and shaken confidence in ultimate victory throughout Viet Cong ranks. Communist Party instructions issued in mid-1965 stated that major successes, especially in the central highlands, were a necessary precondition for a general offensive and uprising in 1966. The Party warned that, otherwise, the war would become very protracted. These successes did not materialize and hence the realization is growing throughout Viet Cong ranks that they are in for a long haul, a realization which at least among some units has resulted in serious discouragement and despondency. All available sources of information suggest that the Viet Cong are being faced with a growing desertion problem among their own troops and among the local citizens they rely on for various kinds of support (e.g., porters).

Many VC captives have spoken of the large number of sick troops in their units and the inadequate medical attention they receive. Rice shortages have also been mentioned, especially in the Highland Provinces. All have spoken of the fearful effect of US/GVN air power and artillery strikes.

Prisoners taken from the 2nd battalion 33rd PAVN regiment on 9 January stated that 50 percent of the soldiers have malaria.

Captives from the H-13 battalion state that the battalion has many personnel AWOL, and many are stricken with malaria.

Prisoners from the 9th battalion 18th North Vietnamese regiment state the 7th battalion of this regiment lost all but 130 men during the attack on the Phu Cu outpost in September 1965. The remaining men were formed into one company and attached to the 9th battalion which had only two companies remaining. No new personnel joined the 9th battalion during the period November 1965 to January 1966; while in the Kim Son area, another battalion was reformed using VC from local force units.

Prisoners from headquarters company of the North Vietnamese Quyet Tam regiment stated that on many occasions the regimental headquarters had been forced to move almost immediately after being set up, because of armed helicopter strikes. These captives had the specific mission of rounding up deserters and soldiers accidentally separated from their unit. One prisoner stated that after the fighting at Bong Son his regiment was to receive replacements from local forces. On 8 February the regimental commanding officer issued a command for all units to disperse and go into the surrounding hamlets and act as guerrillas.

The diary of a VC captured on 11 January 1966 stated: "Have spent four days in tunnel. About 8 to 9 thousand American soldiers were in for a sweep-operation. The attack was fierce, in the last few days. A number of underground tunnels collapsed. Some were caught in them and have not been able to get out yet. It is not known what have become of sisters Ba, Bay, Hong Hanh and Tau He in these tunnels. In their attempt to provide security for the agency, Tam and Ut were killed. Their bodies, left unattended and deteriorated, have not been buried yet. In the afternoon, one of our village unit members trying to stay close to the enemy for reconnaissance was killed and his body has not been recovered... Oh! What hard days, one has to stay in tunnels, eat cold rice with salt, drink unboiled water! However, one is free and feels at ease."

A VC letter dated 20 September 1965 captured by the 1st Air Cavalry Division in Binh Dinh Province stated: "There is an acute forced labor shortage in the area. The local people's morale is low. There has been ineffective and poor performance of various echelons of cadre within the area. Front line supply committees at district and village level are ineffective; three rice mills were closed because of the inability of forced labor to transport adequate amounts of rice, and finally, as a result of repeated RVNAF and US sweep operations within the area, the over-all picture is gloomy and the main objective (control of the highlands) has not been attained."

Another indication of declining Communist morale is the fact that last year's returns from the government's psychological warfare program, called "Chieu Hoi" (rhymes with "you boy") or "Open Arms," are most impressive. This program is designed to entice both civilians and military personnel from the Viet Cong to the government side. All told, the Chieu Hoi program brought in 42,552 persons in 1965--about three times as many as in 1964. Even more to the point, the number of returnees who could be identified as Viet Cong military defectors was five times as numerous--9,472 in 1965 compared to 1,903 in 1964. The defectors last year also included an appreciable number--2,174--of "political cadres," i. e., Viet Cong subversive agents who at least at one time were strongly indoctrinated Communists.

These losses to Viet Cong manpower through both casualties and defectors are showing an even greater increase this year. 9,630 Viet Cong/North Vietnamese soldiers can be confirmed as having been killed in the period 1 January through 12 March 1966, or 3,661 more than the total killed (5,969) during all of January, February and March 1965. As for defectors, there were 1,672 Viet Cong "returnees" during January 1966, and 789 during the first ten days of February alone, as compared with less than 600 during all of January and February 1965. March figures are not yet available, but appear to be sustaining this higher defection rate.

As the Viet Cong have continued to sustain this heavy drain on their manpower, they have been forced to resort to increasingly draconian means to meet their needs. The Communists have stepped up their forced recruitment drives among the peasants, and last month issued a call for the creation of a combat support force--"youth shock teams"--utilizing women as well as men. The present forced draft nature of Viet Cong recruitment is reflected in the appearance in combat on several recent occasions of extremely young and often poorly trained South Vietnamese who state that they were impressed into service. They also resort to youths recruited in North Vietnam for infiltration into South Vietnam--often new draftees with minimal training. Additionally, the introduction of regular North Vietnamese military units attest to the manpower problems of the Viet Cong.

At the same time, the Viet Cong have imposed ever greater financial burdens on the peasants in areas under Communist control. To help finance their aggression, the Viet Cong have doubled and even tripled their rate of taxation on the populace. Recent reports list taxation rates this year of 65% and even 70% of the rice being harvested in Viet Cong-held areas of the delta and central coast. There are also reports, verified by Viet Cong prisoners, of growing peasant recalcitrance at these levies on production. Where government troops have moved in to drive out Communist units during the rice harvest, such as major allied operations in coastal Phu Yen Province north of Saigon in January and February, a favorable peasant reaction has been immediately apparent. Peasants in this long Viet Cong-held area have been providing the government information on the location and movements of the Communist troops in the province. The rural population has shown itself increasingly inclined to support GVN and allied forces (e.g., by volunteering useful and accurate intelligence information) in areas in which the peasantry has come to feel relatively secure from Viet Cong retaliation. Captured Viet Cong documents attest to this trend in their exhortations to Viet Cong cadre to tighten up on local security.

The Viet Cong resort extensively to terrorism in their effort to impose their will on the people in the countryside. Last year, the Communists in South Vietnam killed 1,895 civilians and kidnapped 12,780 more. These included 230 government officials murdered--often in gruesome fashion--and 329 others kidnapped. This resort by the Communists to such brutality against the Vietnamese peasant does not square well with the Viet Cong boast that they have the support of the people in a war against Saigon.

Moreover, the huge influx last year of refugees from insecure areas in the hinterland to government-held territory bespeaks efforts of the peasantry to get out from under the Viet Cong. More than 800,000 such refugees have been officially tallied thus far. The bulk of these--about 458,000--are still living in temporary shelters provided by the Saigon government with US assistance, but large numbers have already been resettled and reintegrated into the national social structure. From time to time, refugee centers are the target of Viet Cong terrorist raids which attest to Communist displeasure at the outflow of such human resources from the areas they control.

Firm statistics on the degree of control exercised respectively by the Saigon government and by the Viet Cong over the population of South Vietnam are difficult to assess, particularly since "control" is such a hard concept to define in measurable terms. However, the trend is now running clearly, albeit slowly, in favor of the government. Available figures (which are fairly reliable as order of magnitude indicators) show that as of last December (1965), the government controlled 52.1% (7,724,200) of the 16.3 million population as against only 43% (5,944,200) a year previous. The rural population under firm Viet Cong control increased slightly in the early part of 1965 to a high point of 24% (3,600,000) in July; but by year's end, this figure had declined to 22.7% (3,357,400). The remaining 25.2% (3,800,000) of the population are listed as residing in contesting areas.

It is more important to recognize that more than death and destruction have been invested in South Vietnam and that returns are being realized in the improvement of the political life and physical well-being of our allies as well as in the multiplication of problems for our adversaries.

Despite the ravages of the war in the countryside, our assistance during 1965 enabled some 7000,000 South Vietnamese farmers to irrigate and improve 800,000 hectares (about 1,975,000 acres), thus significantly increasing the value of their land. Additionally, 33,042 peasants received agricultural loans indirectly financed by US assistance. In fiscal year 1965, 525 new rural wells were dug with our help. Since a crash program of assisting South Vietnamese hamlets--the smallest rural population unit--in elementary education was begun in 1963, more than 3,200 hamlet classrooms have been built under the USAID program, more than 5,200 teachers trained, and more than 7 million textbooks delivered. Another 7 million books are already contracted for delivery. These figures do not include 16,000 hamlet self-help projects already initiated by the Vietnamese themselves.

Last year, about 6.7 million Vietnamese were vaccinated against small-pox and cholera, diseases frequently of epidemic proportions throughout Southeast Asia. Vaccination of farm animals against disease since 1963 has reduced outbreaks of epidemics in that period to only four, with only 120 animal fatalities from disease. Rodent control programs saved an estimated 760 million pounds worth of food crops last year alone. US aid to South Vietnam's fishing industry has boosted the tonnage of catch in 1965 to 368,000 tons, compared with only 52,000 ten years ago. All of these, and other US programs of assistance in agricultural extension, health, housing, and education, are permitting South Vietnam to continue to develop and move forward despite the massive and continuing drain of the war on its own resources.

Under the medical civic action program last year, over four and a half million Vietnamese received medical treatment from the U.S. armed forces. There were more than 2,400 military civic action construction projects, such as bridges, schools, road repairs, and drainage controls. Units and individuals contributed to the support of hundreds of orphanages, schools, and hospitals.

An economic boom has accompanied the expansion of our military effort. Planned U.S. construction projects in South Vietnam at year's end were valued at nearly \$1 billion. Petroleum consumption rose from 250,000 barrels in January 1965 to more than 1 million per month in December. Imports by ship into South Vietnam rose 800 per cent while intercoastal shipping doubled, from the January 1965 tonnage figure of 25,000. Civilian personnel working on military construction projects totaled only a few thousand in January but were over 20,000 at the end of the year. Measured against the ideological promises--and threats--of the Communists, these are positive factors. Much of this development has, of course, been forced-draft activity inspired by war and possessed of inflationary potential, but nevertheless it has provided jobs, incomes and physical facilities where none existed before.

The most significant return on the U.S. investment of the past year--and, in the final analysis, the most important one--has been its total political impact. Within South Vietnam the most marked and hopeful development of the past year is an apparently growing conviction among the populace--both urban and, especially, rural--that the Viet Cong no longer are certain, perhaps not even likely, to emerge victorious. This more favorable public attitude, in turn, has helped Saigon's military leaders provide the country with a progressively greater degree of governmental stability and political progress. Improvements in this area should not be over-stressed or over-sold, but the definite beginnings of solid improvement have been made.

Although there are still enormous problems yet to be overcome, South Vietnam's leaders are steering a course which they hope by the end of next year will bring national elections and the creation of a democratic national assembly. These leaders--who have been in office for a longer period now than any government since Diem's overthrow--are men who represent a rising generation of genuine nationalist elements.

Even before they took office they showed an awareness of popular desire for social improvement in South Vietnam. With our assistance and such programs as those recently delineated at Honolulu, they are now able to hold forth the concrete prospect of social and political progress and, at the same time, make increasingly apparent to all the hollowness of false promises in this sphere long made by Communist propaganda.

EFFECTS IN THE NORTH

The US/GVN air offensive against North Vietnam has been a highly restricted campaign designed to minimize civilian casualties while reducing North Vietnam's ability to support Communist activities in South Vietnam. There are several positive indications that this air campaign is producing concrete results.

The air attacks have been able to impose an increasingly high price on the DRV's support of the war in the South. The air attacks are also a significant factor in keeping the morale and will to fight of South Vietnam at a high level.

North Vietnam has been forced, by the air attacks, to forfeit an increasing amount of foreign trade earnings--some US\$ six million in 1965. The DRV has lost almost 17 percent of its national bulk petroleum storage capacity and over 25 percent of its electric power generating capacity. North Vietnam has had to forego or postpone plans for orderly economic development and to suffer increasing upheaval of industrial output. Reconstruction efforts have been hampered by difficulties in allocating manpower. The regime is also meeting increasing problems in the distribution of food, particularly to relocated elements of the population and to large increments of workers detailed to reconstruction and repair activities.

The greatest brunt of the air attacks has been felt on the railroads and highways used to support the logistic supply of the Communist forces and to infiltrate PAVN forces into South Vietnam. Air attack alone cannot completely stop this flow of men and supplies. But it can and has disrupted this flow and made it a considerably more difficult and costly process. Large amounts of manpower have been diverted from productive employment to repair and keep open the lines of communication running through the southern provinces of North Vietnam and Laos to South Vietnam.

Moreover, the DRV has been compelled to use night-time operations only in the forward movement of men and supplies. This slows up movement considerably, making the trip by truck from Hanoi to the South Vietnam border almost three times longer. The Communists have also been forced to expend much manpower and resources in constructing new roads, by-passes, and other expedients to keep traffic moving in both North Vietnam and Laos.

A final effect of the US/GVN air attacks is that they increase the already heavy dependence of North Vietnam on Communist China and the USSR. While the amount of their military and reconstruction aid cannot be quantified precisely, it creates an additional drain on the economies of these two countries, particularly Communist China.

In a 3 February 1966 speech in Hanoi, Le Duc Tho--North Vietnamese Lao Dong (Communist) Party Politburo member and the Chief of the Party's Organization Department--admitted that some members of the party apparatus have developed "erroneous thoughts and views" and have made "an incorrect assessment of the balance of power between the enemy and us." Tho claimed, naturally, that such "erroneous thoughts" were confined to "a small number of comrades," but the fact of internal dissension within the Party itself would never have been publicly acknowledged, even in this manner, if North Vietnam's leaders did not consider it at least potentially serious. What Tho obviously meant is that the nature and size of the present joint US/GVN effort is beginning to generate doubts even within the North Vietnamese Communist Party itself about the wisdom of the intransigent and militant policies of Hanoi's leaders. Tho is telling us, in short, that present U.S. policy and the massive U.S. investment of the past year are beginning to produce exactly the kind of political results they were devised to create.

VIETNAM AFFAIRS STAFF
Approved For Release 2002/10/22 : CIA-RDP80B01676R00010005-3
O/DCI

DATE: 22 March 1966

TO: DCI

FROM:

[Redacted]

SUBJECT:

REMARKS:

Attached is a memorandum prepared
for the White House at their request.

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